



House of Commons
Transport Committee

Road Pricing: Government Response to the Committee's Fourth Report of Session 2021–22

Third Special Report of Session
2022–23

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 21 February 2023*

Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure of the Department for Transport and its associated public bodies.

Current membership

[Iain Stewart MP](#) (*Conservative, Milton Keynes South*) (Chair)

[Mike Amesbury MP](#) (*Labour, Weaver Vale*)

[Rt Hon Ben Bradshaw MP](#) (*Labour, Exeter*)

[Jack Brereton MP](#) (*Conservative, Stoke-on-Trent South*)

[Ruth Cadbury MP](#) (*Labour, Brentford and Isleworth*)

[Paul Howell MP](#) (*Conservative, Sedgefield*)

[Chris Loder MP](#) (*Conservative, West Dorset*)

[Karl McCartney MP](#) (*Conservative, Lincoln*)

[Grahame Morris MP](#) (*Labour, Easington*)

[Gavin Newlands MP](#) (*Scottish National Party, Paisley and Renfrewshire North*)

[Greg Smith MP](#) (*Conservative, Buckingham*)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

© Parliamentary Copyright House of Commons 2022. This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/site-information/copyright-parliament.

Committee reports are published on the Committee's website at www.parliament.uk/transcom and in print by Order of the House.

Committee staff

The current staff of the Committee are Jonathan Arkless (Committee Specialist), Millie Bacon (Inquiry Manager), Judith Boyce (Clerk), Owen Sheppard (Senior Media Officer), Daniel Gillett (Committee Specialist), Alexandra Hunter-Wainwright (Committee Operations Manager), Abi Samuels (Second Clerk) and Mandy Sullivan (Committee Operations Officer).

Contacts

All correspondence should be addressed to the Clerk of the Transport Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 2226; the Committee's email address is transcom@parliament.uk.

You can follow the Committee on Twitter using [@TransportCttee](https://twitter.com/TransportCttee).

Third Special Report

The Transport Committee published its Fourth Report of Session 2021–22, [Road pricing](#) (HC 789) on 4 February 2022. The Government response was received on 9 January 2023 and is appended along with other relevant correspondence between the Committee and the Government.

Appendix 1: Letter from Iain Stewart MP, Chair, to the Chancellor of the Exchequer 5 December 2022

Road pricing: response to Transport Committee report

Dear Jeremy,

The Transport Committee published a report on road pricing on 4 February 2022. The Government lead on this matter sits with the Treasury, which provided oral evidence to our inquiry.

As you will be aware, by convention Government departments have two months to respond to select committee reports and the recommendations made by them. The response to this report was due on 4 April 2022 and is now more than eight months late.

Our report highlighted the potential future loss of £35 billion to the Exchequer from failure to reform motoring taxation, as neither fuel duty nor vehicle excise duty are currently levied on electric vehicles. We argued, therefore, that the ban on the sale of new petrol and diesel vehicles from 2030, and other policies to deliver net zero emissions by 2050, necessitate new charging mechanisms. These must ensure that drivers of electric vehicles pay to maintain and use the roads they drive on, while protecting incentives to purchase zero-emission vehicles and not costing motorists more overall.

We have noted the announcement in the Autumn Statement that vehicle excise duty will be levied on EVs from April 2025, which shows that the Treasury is engaging with the issue of how the switch to EVs will affect revenues. It does not, however, indicate as yet a willingness to consider more comprehensive, long-term solutions, especially as VED contributes only around 20 per cent of the revenue from motoring taxes. The OBR has estimated that abolishing the exemption will raise just £1.6 billion a year by 2027/28.

The Committee recommended that the Treasury and the Department for Transport jointly set up an arm's length body by the end of 2022 to recommend a new road charging mechanism. Our report argued that this work was urgent, especially as a patchwork of local schemes has already begun to develop.

We would be grateful to receive the full formal response to our report and recommendations as soon as possible, and in any event not later than 9 January 2023.

I have copied this letter to the Secretary of State for Transport, the Chair of the Treasury Committee and the Chair of the Liaison Committee for information. I look forward to hearing from you.

Yours sincerely

Iain Stewart MP

Chair of the Transport Select Committee

Appendix 2: Letter to the Chair from Rt Hon Jeremy Hunt MP, Chancellor of the Exchequer, 9 January 2023

Transport Committee's Report on Road pricing

Dear Iain,

I am writing in response to the Committee's report of 4 February 2022 on 'Road Pricing'. I would like to thank the Committee for its report, and for inviting officials to give evidence on 20 October 2021 on these important issues. Please accept my apologies for the delay in responding.

Motoring is an important part of most people's lives and how they get around; it's crucial for how the UK's businesses transport supplies and products, so these are important issues to consider.

The shift to zero emission vehicles is crucial for decarbonising the transport sector and tackling climate change, while driving billions of pounds worth of investment into our economy and creating high skilled jobs.

As the Government's Net Zero Strategy set out, as we transition to net zero, the government will need to ensure that the tax system encourages the uptake of EVs, and revenue from motoring taxes will need to keep pace with this change, while remaining affordable for consumers. This is so we can continue to fund the infrastructure and first-class public services that people across the UK expect, and avoid a rise in congestion, with those able to drive electric vehicles having very low running costs compared to other vehicles and public transport. That would affect everyone on the road and those using public transport.

Our tax system has already begun to adapt to this transition. As I set out at Autumn Statement 2022, it's right that all motorists start to pay a fairer tax contribution. That's why, from 2025, electric cars, vans and motorcycles will pay Vehicle Excise Duty in the same way as petrol and diesel vehicles.

The Government is focused on delivering its core priorities, as set out in the 2019 manifesto. As such, the government does not currently have plans to consider road pricing.

I am copying this letter to the Prime Minister and the Secretary of State for Transport

Best wishes,

Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer

Appendix 3: Letter from Iain Stewart MP, Chair, to the Chancellor of the Exchequer, 25 January 2023

Response to the Committee's Report on Road pricing

Dear Jeremy,

The Transport Committee was disappointed to receive such a delayed and brief response to our report on road pricing, which we published in February 2022. As you will know, Cabinet Office guidance states that departments should aim to provide responses to select committee reports within two months of their publication. Where it is not possible to meet this timetable, the guidance indicates this is likely to be because the issues raised require consideration in depth before a substantial reply can be provided.

Having considered your letter, it is unclear why it took almost a year for HM Treasury to respond to the Committee to say that the Government “does not currently have plans to consider road pricing”.

The Committee's inquiry was substantial; we heard from four panels of witnesses, including from Mike Williams on behalf of HM Treasury, and received 148 written evidence submissions. We made 13 substantial recommendations. It is discourteous both to my Committee and to the witnesses who freely gave their time and expertise, both in writing and in person, that your Department has not meaningfully engaged with the substance of our Report nor responded to the specific conclusions and recommendations made.

Since publishing our Report, road pricing, and future of motoring taxation in general, has continued to garner attention and commentary; amongst others, publications from Policy Exchange (February 2022), the Social Market Foundation (May 2022), the Campaign for Better Transport (September 2022) and Green Alliance (January 2023) have addressed the issue and raised similar concerns.

As made clear in my letter of 5 December, the Committee has already noted the announcement in the Autumn Statement that vehicle excise duty will be levied on EVs from April 2025. As highlighted by our report, taken together, VED and fuel duty raise nearly £35 billion a year, which comprised approximately 4 per cent of overall tax receipts in 2021–22. The OBR has estimated that abolishing these exemptions will raise just under £1.6 billion a year by 2027/28. Your initial response to our report suggests that addressing this enormous deficit in revenue is not considered a Government priority.

We recognise that departmental committees rarely take evidence from, or address reports to, HM Treasury, and we are grateful for the cooperation given in the earlier stages of our inquiry. Any decisions taken to maintain motoring tax revenues will need to be made on a cross-departmental basis that recognises the split responsibilities of HM Treasury and the Department for Transport in maintaining tax revenues and ensuring, amongst other

priorities, road connectivity. Indeed, one of the recommendations of our report was that the two departments should set up a joint unit including Ministers and officials to co-ordinate that shared policy space.

I would therefore like to invite HM Treasury to respond in greater detail to our report's conclusions and recommendations. We would be especially interested to learn more of the timescales over which your department might consider road pricing models, and to understand whether you recognise this—as we do—as a matter of urgency.

We believe there is an important and timely debate to be had on the issue of road pricing, one that deserves further consideration by both the House of Commons and the Ministers responsible.

I look forward to receiving a further response.

Best wishes,

Iain Stewart MP

Chair of the Transport Select Committee

cc Rt Hon Mark Harper MP, Secretary of State for Transport

Harriett Baldwin MP, Chair, Treasury Committee

Appendix 4: Letter to the Chair from James Cartlidge MP, Exchequer Secretary to the Treasury, 13 February 2023

Dear Iain,

Following your recent letter to the Chancellor about the Committee's Report on Road Pricing I wanted to get in touch to provide you with further detail on the Government's policies on fuel duty, and the wider context to this.

However, first it is worth me reiterating that the overriding focus for the Government in recent months has, rightly, been the immediate challenge of inflation and supporting people with the cost of living. These are the key challenges facing millions of households and businesses across the UK currently, and we've taken decisive action to mitigate their impact, whilst remaining fiscally responsible, including the cost-of-living support for households worth £26 billion in 2023–24. Last Autumn Statement, the Energy Price Guarantee was projected to save £900 to the average household through the winter, and £500 from April 2023 to April 2024.

Fuel duty has also formed part of our response to these challenges. As you are no doubt aware, at Spring Statement 2022 the Government announced a temporary 12-month cut to duty on petrol and diesel of 5p per litre. This is the largest cash-terms cut across all fuel duty rates at once, ever, and is only the second time in 20 years that main rates of petrol and diesel have been cut. This represents a tax cut worth around £2.4 billion in 2022–23, benefiting anyone who consumes fuel across the UK. The Government will confirm future policy on fuel duty in the Budget in the Spring.

It is important that the Government continues to focus on the cost of living and delivering its core priorities, as set out in the 2019 manifesto. I want to stress that I recognise the substantial work that the Committee has carried out on road pricing and the Committee's interest in this matter, but as set out in the Chancellor's previous letter the Government does not currently have plans to consider road pricing. Given this, the Government does not have further views on the Committee's recommendations for the ways in which road pricing should be considered.

More broadly, as noted previously the Government will need to ensure that the tax system encourages the uptake of EVs, and revenue from motoring taxes will need to keep pace with this change, while remaining affordable for consumers. Our tax system has already begun to adapt to this transition. From 2025, electric cars, vans and motorcycles will pay Vehicle Excise Duty in the same way as petrol and diesel vehicles. The Government will continue to keep all tax policy under review.

I am copying this letter to the Chancellor, the Prime Minister, and the Secretary of State for Transport.

Yours sincerely,

James Cartlidge MP

Exchequer Secretary to the Treasury